

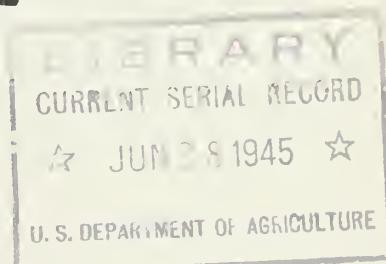
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Organizing HONEY MARKETING COOPERATIVES *in Wartime*

BY HENRY M. BAIN



COOPERATIVE RESEARCH AND SERVICE DIVISION
FARM CREDIT ADMINISTRATION
U. S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D. C.

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I. W. Duggan, Governor

Cooperative Research and Service Division

Harold Hedges, Acting Chief

W. W. Fetrow, Associate Chief

The Cooperative Research and Service Division conducts research studies and service activities relating to problems of management, organization, policies, merchandising, sales, costs, competition, and membership arising in connection with the cooperative marketing of agricultural products and the cooperative purchase of farm supplies and services; publishes the results of such studies; confers and advises with officials of farmers' cooperative associations; and cooperates with educational agencies, cooperative associations, and others in the dissemination of information relating to cooperative principles and practices.

Copies of this publication may be obtained while a supply is available from the Director of Information and Extension Kansas City 8, Missouri

FOREWORD

The nearly 200 million pounds of honey produced annually in the United States is a significant contribution to the food supply when the country is at war. Also the 3½ million pounds of beeswax plays no small part in the preparation of all sorts of munitions. But the major role of the honeybee - pollination - is of much greater importance in the meeting of wartime food goals.

Without the aid of insects to effect pollination many species of plants will not set seed or produce fruit, no matter how well they are cultivated. Crop specialists urge the keeping of more bees near legumes and certain other crops. It would be difficult to estimate the dollar value of pollination by honeybees, but authorities in some States have declared it to be from 15 to 30 times greater than the value of the honey and the beeswax produced in those States.

Thus the three-fold importance of the beekeeping industry in wartime becomes (1) need for adequate pollination of agricultural crops; (2) greatly increased use of beeswax in waterproofing parts of planes, ships, artillery pieces, and other war equipment; and (3) heavy demand from packers and consumers for honey, due in part to reduced sugar supplies.

The United States Government has recognized the importance of honey as a food and has encouraged the Nation's half million beekeepers to expand production. Government agencies concerned have authorized the manufacture of necessary beekeepers' supplies. To insure ample supplies of honey for normal uses, the Government has imposed certain limitations upon the quantities to be used in manufactured food products.

Need for increased production of honey and beeswax and the difficulties of operation under various wartime restrictions on beekeepers' supplies, prices, and related matters have brought many new problems to the Nation's honey producers. It is difficult for beekeepers individually to keep abreast of these regulations and of the changes made in them from time to time. Many producers believe that they can cope more successfully with these problems through their own business organizations.

Marketing and distribution of honey have assumed increased importance to commercial beekeepers through the country. While attempting to meet unprecedented demand for their products, they seek to avoid the pitfalls of overexpansion and possibly declining prices such as followed the first World War. In these efforts many have come to appreciate more fully the advantages of cooperative marketing.

Before honey reaches the consumer, for example, it usually undergoes some processing. It is generally recognized that a more satisfactory product may be placed on the market if the processor has thoroughly modern and up-to-date machinery and equipment. In such plants, blending,

heating, filtering, straining, and related processes are carried on under supervision of experts to the end that a quality product may be assured. Trained employees determine which lots of honey shall be mixed, and the percentage of each to be blended to produce the desired grade and color of honey.

Activities of such cooperatives usually are not confined to the assembling, processing, and selling of honey but include also assistance to their members in various problems that arise in production and in the purchase of supplies.

This report has been prepared for the purpose of making available to interested honey producers answers to some of the questions that may arise when they consider the organization of a honey marketing cooperative. Groups that decide to organize a marketing cooperative may find helpful the suggested articles of incorporation, bylaws, marketing agreement, and other forms appearing at the end of this circular.

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ORGANIZING HONEY MARKETING COOPERATIVES IN WARTIME

By
Henry M. Bain
Principal Agricultural Economist

Together some 500,000 beekeepers in the United States produce about 195 million pounds of honey each year. The crop of about 25,000 commercial producers accounts for approximately 60 percent of this honey. No other farm product better illustrates the disadvantages of small producers competing with each other in making sales. Working together in their own cooperatives, on the other hand, honey producers are demonstrating that they can effect substantial savings in marketing their honey. The following questions and answers are addressed to those beekeepers who seek, through cooperative organization, to coordinate and strengthen their efforts to increase bee colonies, to improve production, and to assure full returns to producers based on continuous ample supplies of standardized high quality products.

1. What are farmers' cooperative marketing associations?

They are business organizations formed by producers for the purpose of collectively marketing their farm products. Cooperative marketing associations are owned and controlled by the producer-members and are operated for their mutual benefit. Savings resulting from a cooperative's operations are paid producers on the basis of the farm products each sells through the association.

Farming is generally a small-unit business and cooperatives have developed out of recognition by producers that they can better perform certain tasks incident to marketing their farm products by working together than they can as individuals.

The principal objectives of farmers' cooperative marketing associations were stated by Justice Brandeis, of the United States Supreme Court, in 1929 as follows:

"The farmers seek...to secure a more efficient system of production and distribution and a more equitable allocation of benefits. But this is not their only purpose. Besides promoting the financial advantage of the participating farmers they seek through cooperation...to require an equitable assumption of responsibilities while assuring an equitable distribution of benefits. Their aim is economic democracy on lines of liberty, equality and fraternity."

2. What benefits may honey producers expect from cooperative marketing?

In normal times the primary purpose of cooperative marketing associations is to increase the farm income of their members. If they are

not able to do this they will not operate very long. Through cooperative action honey producers are able to pool their bargaining power; improve the quality of honey; increase efficiency and effect economies in marketing and distribution; broaden market outlets; and promote consumer preference for their product.

Honey marketing cooperatives own and operate modern processing facilities with latest improvements in machinery and equipment. Making available to honey producers constantly improved services, cooperatives also are able to bring consumers high quality honey.

During the war, cooperatives are materially aiding Federal agencies concerned with the administration of Government programs. Farm cooperatives represent one of the large segments in the food industry and they are assisting the War Food Administration and other branches of the Department of Agriculture in programs concerned with production, conservation, and distribution of agricultural products. Also, cooperatives maintain contact with the Office of Defense Transportation, War Production Board, and the Office of Price Administration. They are thus in possession of information relating to various governmental programs and are able better to assist their members in carrying on their production operations.

3. What are some functions of cooperative marketing associations?

Cooperatives are performing a wide variety of services incident to marketing farm products. Brief reference may be made here to only a few. Assembling - the collection of the product from various farms for market distribution - is an important marketing function. Grading can hardly be overemphasized, since grades are the standards of quality under which farm products are sold. Storage is necessary for those products harvested during a relatively brief season and consumed more or less uniformly throughout the year. Transportation to market is one of the largest items in the cost of marketing.

Many farm products must be processed before they are ready for the consumer. In the case of some products, their character or form is entirely changed. Regardless of the extent of processing, efficiency in these operations largely determines the quality of the processed product and the economies arising from the association's operations. The final task of a marketing cooperative is the sale of the product. This is the one function by which, more than by any other, producers determine the value to them of their marketing cooperative. If the association's return to the producer is not as good as the prevailing market price, the association may have difficulty in holding its members. Other functions include financing, advertising, and sales promotion.

Some farmers' cooperatives undertake only one marketing function, as assembling their members' product. Honey cooperatives in this

country, however, usually perform all the services from assembling to processing and selling the honey. Consumers are becoming more and more familiar with cooperative honey brand names, such as "Sioux Bee," "Blossomsweet," "Ohio," and others. Also, a large volume of honey is packed each year by cooperatives for sale under brand names of other distributors.

4. What are some of the limitations in cooperative marketing?

Cooperatives cannot control prices; neither can they obtain a price above the market. They cannot guarantee cost of production, nor can they eliminate the middleman. They cannot make money for a producer of poor honey.

In marketing farm products certain functions must be performed. These functions may be performed by farmers through their own cooperative or by others. Cooperative costs and services to the producers for the performance of these marketing functions must compare favorably with the costs and charges for such services by other marketing agencies. If they do not do the job better, at reasonable cost, they cannot hope to survive.

5. Are farmers' cooperative marketing associations generally successful?

Yes, if there is a need for the association and if it is properly set up and soundly operated. Over the years the record of producers' cooperative marketing associations in the United States has been outstanding. Reports to the Cooperative Research and Service Division of the Farm Credit Administration in 1943 show that nearly 8,000 farmers' cooperative marketing associations were in operation in the United States at that time. Serving over $3\frac{3}{4}$ million producers, the combined business of these cooperatives amounted to more than \$3 billion in 1943.

Honey marketing cooperatives in the United States have made progress in recent years. These producer organizations are now handling approximately 15 percent of the commercial honey crop of the United States. Honey cooperatives are located in some of the principal honey producing States, and some of them have members in other States. Their operating policies have been generally conservative and they are making important contributions toward better methods of preparation, standardization, and improved quality of the honey marketed. They have followed sound financial policies and have done much to improve relations with their producers.

6. How far from its headquarters should a honey cooperative have members?

The area served by cooperatives varies, due in part at least to the necessity for adequate volume. Generally, where an association

operates within a relatively small area producers have closer contact with its operations than where an association receives the farm product it is handling from more widely scattered producers. This close relation between the producer and his cooperative is particularly desirable in the case of an association just getting under way. By having its members near enough to the association's headquarters, management is enabled to keep the producers informed as to the association's problems and the methods employed in meeting those problems. There are exceptions, however, for many successful cooperatives have members in several States.

7. What is the required minimum production for a member of a honey cooperative?

Generally, none, depending upon the policy of the association and the area in which it operates. Some cooperatives have only a few members, each of whom produces and delivers to the association a large volume of honey each year. Other associations have both large and small producers and the membership of still others is made up entirely of relatively small producers.

8. Where may producers obtain information on forming a cooperative?

From the dean of the State agricultural college, or the State director of extension. Either of these officials will see that interested groups receive available information through the county agent where the association is to be located, or the extension marketing specialist. Some State cooperative marketing acts contain specific provision for the college of agriculture to make a survey, upon request of the group concerned, of the marketing conditions affecting the commodities proposed to be handled by the cooperative.

The director of markets in some States, notably California and Colorado, is authorized to assist groups of producers interested in forming cooperative marketing associations.

The district banks for cooperatives, established by the Farm Credit Act of 1933 for the purpose of providing at reasonable cost the various types of credit needed by farmers' cooperative associations, may be able to give assistance to groups of honey producers undertaking to organize a marketing association. These banks are located at: Springfield, Massachusetts; Baltimore, Maryland; Columbia, South Carolina; New Orleans, Louisiana; Louisville, Kentucky; St. Louis, Missouri; St. Paul, Minnesota; Wichita, Kansas; Omaha, Nebraska; Houston, Texas; Berkeley, California; Spokane, Washington.

Also, the Cooperative Research and Service Division of the Farm Credit Administration, Washington, D. C., maintains a staff of workers in the several commodity fields who work with groups undertaking to form an association or to perfect the organization structure of

an existing one. The Division will endeavor to give helpful advice and suggestions to interested groups upon request.

9. How can producers determine whether a honey marketing cooperative should be organized?

In addition to advice of officials, the group considering formation of an association should hold one or more meetings at which the proposed undertaking is thoroughly discussed. Questions considered might include:

- Is there need for a honey marketing cooperative in the area?
- What services is it proposed the association shall perform?
- How are these services now being performed; are costs of existing services reasonable?
- How much money will be necessary for financing operations of new association; what portion of this can members furnish?
- What portion of annual production of honey in the area may the association expect to handle?
- Is the prospective volume large enough for economic operation?
- Is efficient management available?
- What advantages or benefits may producers expect from membership in the association?

A full and frank discussion of these and related questions should enable the producers to decide whether to go ahead with the organization. Groups usually find it helpful to appoint a committee to develop information for presentation at their meetings.

It should be remembered that a cooperative marketing association is a business undertaking through which producers expect to receive better prices than by selling as individuals. There is no magic in cooperation. It will not solve all the beekeepers' problems. But a cooperative honey marketing association can efficiently and economically perform tasks incident to assembling, processing, selling, and distributing honey. The excellent record of existing honey marketing cooperatives demonstrates this. It is necessary for members to understand what things their cooperative can and cannot do, and to confine its activities to those which the association is qualified to undertake.

10. If the group decides to organize, what is the procedure?

At the meeting where it is decided to form a cooperative, the producers should appoint a committee of three to five leading producers to perfect the organization. Specifically, the organization committee would prepare or have prepared:

1. Articles of incorporation, bylaws, marketing agreement, and such other documents as may be necessary.

2. A report on location and cost of such facilities as may be deemed necessary to efficiently and economically perform the services for which the association is organized; cost and nature of necessary equipment, machinery, and supplies.

Your county agent or the marketing specialist at your agricultural college can render invaluable aid in these several steps. After the necessary organization forms have been prepared, and information regarding facilities and equipment developed, the chairman of the organization committee should call a meeting of the producers for the purpose of ratifying the form of the articles of incorporation, bylaws, and related papers, and approving the report on the site and equipment. Of course, at this meeting the producers may modify the proposed articles of incorporation and related papers as may seem desirable. Further, they may direct the committee to acquire a site other than the one recommended and the purchase of different machinery and equipment.

At this meeting, the group should choose the temporary board of directors. This board may consist of the organization committee, or a new board may be chosen. There are some advantages in having the organization committee continued as the temporary board of directors. For example, it is intimately familiar with the steps already taken and probably would be in a better position to carry to conclusion the matters initiated. In any event, the appointment of the temporary board of directors would mean that the organization committee should be disbanded, and the temporary board should carry on.

The persons who are to act as the first board of directors usually act also as the incorporators, and sign and acknowledge the articles of incorporation before a notary public after approval by the producers. The articles of incorporation are then mailed, for appropriate recording, to the Secretary of State of the State in which the association is being formed.

The incorporators, as the charter members of the association, would then proceed to adopt bylaws. The board of directors would elect officers and would have marketing agreements entered into with producers, and thereby obtain members for the association. They should also develop information regarding a site and equipment as directed at the last meeting. After the Secretary of State has filed the articles of incorporation for record, he will advise the association that this has been done. In some States, the articles of incorporation must also be filed in the county in which the association has its principal office.

Suggested forms of articles of incorporation, bylaws, marketing agreement, membership certificate, and other forms designed to aid honey producers in forming a honey cooperative marketing association, appear at the end of this circular.

11. Is it necessary to incorporate a cooperative association?

No. It is possible to organize and operate an unincorporated cooperative marketing association, but under the present complex and highly competitive marketing conditions, it is desirable for a cooperative to be incorporated. Incorporation gives an association or any other business a distinct legal status not otherwise obtainable. Liability of members of incorporated cooperatives usually is limited by the several State cooperative marketing acts to the amount of capital in the association held by them, or any money they may owe the cooperative. An unincorporated association, on the other hand, may be compared with a partnership, which means that each member would be individually liable for the debts of the association.

An incorporated cooperative marketing association has the powers specifically set forth in its articles of incorporation, and usually has the power to engage in the activities set forth in the act under which it is formed, and to do such things as may be necessary or proper for the accomplishment of its purposes. It has the power to borrow money in its own name, to own real and personal property necessary for the operation of the association, to sue and be sued.

12. What is a charter and what does it cost?

Broadly speaking, a charter is a right or privilege accorded by a State to the organizers of an incorporated cooperative to do business as a corporation under the laws of such State. The articles of incorporation of an association, when approved by the official of the State to whom application for incorporation is made, are generally looked upon as the charter of the association. The fee for filing articles of incorporation is usually \$10, and should accompany the articles of incorporation when they are mailed to the Secretary of State.

13. What is the policy of the Federal Government toward farmers' cooperatives?

Several laws enacted by Congress clearly indicate that it is the policy of the Federal Government to encourage and facilitate cooperation among producers of farm products. It is not possible to discuss here these various legislative enactments over the last three decades, but reference will be made to the more significant ones.

The Capper-Volstead Act, passed by Congress in 1922, represents an important milestone in the cooperative movement. It declares that farmers' cooperative associations which meet its conditions may assemble, process, handle, and market farm products in interstate and foreign commerce in a normal way without violating Federal anti-trust laws. The conditions of the Act with which cooperatives must conform are: (1) The associations must be engaged in interstate or

foreign commerce; (2) They must be composed of producers and operate for the mutual benefit of their members; (3) They cannot do more than half of their business (in value) with nonmembers; and (4) They must either limit each member to one vote or limit dividends on stock or membership capital to not more than 8 percent per year. Associations may comply with both of these latter requirements if they wish to do so. Under the Capper-Volstead Act it is immaterial whether producers' cooperative associations are incorporated or unincorporated, or whether they have capital stock or are nonstock organizations. The cooperative laws of the several States generally confer on farmers' cooperatives similar authority with respect to intrastate business as that contained in the Capper-Volstead Act.

The policy of the Federal Government toward cooperative marketing is well expressed in the first paragraph of the Agricultural Marketing Act of 1929, which declares in part, it is

"...the policy of Congress to promote the effective merchandising of agricultural commodities...so that the industry of agriculture will be placed on a basis of economic equality with other industries...by preventing inefficient and wasteful methods of distribution...by encouraging the organization of producers into effective associations or corporations under their own control for greater unity of effort in marketing..."

The primary purpose of enacting the Agricultural Marketing Act was to provide a Government source of credit on reasonable terms to farmers' cooperative marketing associations. Cooperatives throughout the country received substantial aid under the Agricultural Marketing Act. The Farm Credit Act, passed in 1933, amplified and greatly strengthened the Agricultural Marketing Act. It established 12 district banks for cooperatives and a central bank for cooperatives, so that credit aid to farmers' marketing, purchasing, and service cooperatives could be handled through these lending institutions instead of through one central organization in Washington.

By a law enacted in 1926 Congress set up a special division in the Department of Agriculture to work with and strengthen farmers' cooperatives. This division, the Cooperative Research and Service Division, in the Farm Credit Administration, assists groups of farmers who desire to organize cooperative associations and aids such associations in developing sound and effective methods of operation. When necessary to more effectively aid the cooperative movement in a particular commodity field, the Division conducts research studies of problems relating to management, organization, financing, and membership relations. The Division's staff cooperates with educational agencies, cooperative associations, and others in the dissemination of information relating to cooperative principles and practices. In fact, during the war the Federal Government has assisted farmers in several commodity fields in setting up

cooperatives to facilitate administration of the Government's program with respect to those commodities.

14. Do the several States encourage cooperative marketing?

Yes. All the States have one or more laws under which producers' cooperative marketing associations may be organized. Most of these statutes contain a declaration of policy to the effect that they are passed "...to promote, foster and encourage the intelligent and orderly marketing of agricultural products through cooperation..."

It will be remembered that if producers want to incorporate their marketing associations this must be done under the law of a State. There is no Federal law under which such associations may be incorporated.

The State cooperative marketing statutes contain detailed provisions regarding the organization structure of cooperatives, and generally include the following:

1. Who may organize the cooperative and minimum number of members required to incorporate, terms and conditions of membership;
2. Purposes for which association may be organized and the powers it shall have;
3. Provisions regarding the articles of incorporation, bylaws, and marketing agreement;
4. Fees required; annual report of association;
5. Voting rights of stockholders and members;
6. Capital structure as to stock and nonstock.

Those contemplating the organization of a cooperative association will find it helpful to obtain a copy of the cooperative marketing act of the State in which the association is to be incorporated. This may be done by writing the proper State official, usually the Secretary of State.

15. Who may be members?

The State cooperative marketing statutes usually declare that cooperative marketing associations may admit as members only producers of the agricultural products which are to be handled by the association. Tenants and lessees of land used for the production of such products and lessors and landowners who receive as rent at least a part of the crop raised on the land may be members.

The members themselves determine what shall be the requirements for membership in the association under the provisions of the law, and include such requirements in the bylaws. In addition to declaring that a member must be a bona fide producer of farm products, the bylaws usually provide that he shall purchase a share of stock or pay a membership fee, depending on whether the association is a stock or a nonstock organization. Of course, the prospective member should agree to comply with the requirements of the bylaws.

16. How many producers are necessary to form a cooperative marketing association?

If a cooperative is incorporated, the minimum number of producers required for forming the association is set forth in the act under which it is to be incorporated. The usual number is five producers. It varies, however, in the different States. To ascertain the number required in a given State, consult the cooperative marketing statute of that State. There is no minimum number of producers necessary for forming an unincorporated cooperative association.

In any event, there should be a sufficient number of producers signed up as members to insure an adequate volume. Otherwise, the association's operating cost may be unreasonably high; it may be handicapped in providing necessary marketing and processing facilities, and its influence as a marketing agency greatly lessened. Any factor which tends to reduce volume affects the association's prospect for success.

17. What minimum volume should a honey processing cooperative handle?

It is not possible to specifically answer the question because of circumstances which may prevail in different areas. Normally, it is deemed desirable for a cooperative to have a sufficient number of producers signed up to supply it with approximately one million pounds of honey for processing. Yet many cooperatives have operated successfully with less than half that volume. Certainly the association must have sufficient volume to permit it to operate at reasonable cost, to enable it to be a factor in the market. Just what volume the honey processing cooperative should have will be determined to an important degree by the circumstances in the specific case.

18. Is a marketing contract necessary?

No. But where a cooperative employs a contract it is able to more accurately estimate the volume of product it will handle for its members. This is particularly important in the early years of a cooperative, for the association is thus in better position to satisfactorily determine its processing, warehousing, merchandising, and financing policies. Also, opponents will be less able to divert

members from the association. The relation between the cooperative and the member is set forth in some detail in the marketing contract; the duties and obligations of the member to the association and of the association to the member are covered by it. The marketing agreement of cooperative associations was described by a court two decades ago thus:

"It amounts to nothing more nor less than an agreement or combination between them (the members of the association) to place the disposition and sale of their crop each year in the hands of a joint agent...for the purpose of avoiding, as far as possible, competition among themselves and thereby raise the price of their products."

It would be easy to overemphasize the importance of the growers' contract, however. Coercion is not cooperation and it should be remembered that, if growers are unwilling to cooperate voluntarily, signing a marketing contract will not make cooperators out of them. Many successful cooperatives do not use a growers' contract.

19. What deductions are made by cooperatives from sales of members' honey?

Usually the marketing contract authorizes the association to make deductions for operating and overhead expenses incident to the sale and distribution of the members' honey and for necessary reserves. The following is indicative of such contract provision:

The association agrees to remit to the producer proceeds of sales of such honey, after deducting necessary costs and expenses of handling, processing, storing, and marketing, and not to exceed (1 cent per pound) for unforeseen contingencies and reserves.

Cooperative associations operate on a cost basis, or as nearly so as practicable, and if funds are accumulated in excess of requirements, provision is made for returning such excess to the members. One way of accomplishing this is through the payment of a patronage dividend on the basis of the volume of honey marketed through the cooperative.

The Office of Price Administration has recognized the payment of patronage dividends by farmers' cooperatives as a fundamental principle of cooperation. Supplemental Order 84, issued by the Office of Price Administration on February 14, 1944, authorizes the payment of patronage dividends by farmers' cooperative marketing associations which meet the requirements set forth therein, even though the patronage dividend plus the original payment to the producer results in his receiving more for the commodity than the applicable ceiling price.

It should be noted that Supplemental Order 84 applies to marketing cooperatives generally, and not just to farm cooperatives.

Furthermore, it authorizes the payment of patronage dividends to nonmembers as well as members. To pay patronage dividends without violating maximum price regulations where the price the association pays the patron, plus the patronage dividend, exceeds the ceiling price for the commodity, the association must: (1) Conform with the applicable statutes of the State in which it is formed, and be operated for the mutual benefit of its patrons; (2) Not handle a greater proportion (in terms of dollar value or unit volume) of nonmember business than it handled in 1943; (3) Not be controlled as to finances, policy, payment of patronage dividends, employment or compensation of personnel or agents, or in any other way, by any person other than a cooperative association; (4) Not offer or agree to pay a patronage dividend of a definite amount or at a specific rate; nor pay patronage dividends until the close of the association's fiscal year or at the end of interval of not less than 6 months where association's books are regularly closed.

Although some of the foregoing requirements are covered by the provisions of the Capper-Volstead Act, referred to in answer to question 13, the proposed regulation declares specifically that farmers' cooperatives are required to conform with all requirements of that law; and finally that: (a) If the association customarily differentiates between, and maintains separate accounting records for various operations in different areas or commodities, the dividend paid to patrons whose commodities are marketed in one operation may not include any sums derived from other operations, and (b) Any business done by an association at the direct request of the Government or any of its agencies as part of special Government procurement program shall be disregarded in determining its member and nonmember business.

20. Is it ethical for a member to deliver only a part of his honey to the association and to sell the balance outside?

The success or failure of a cooperative is determined primarily by the support given it by the members. The best evidence of the members' support and confidence in their association is in the delivery of their product to the cooperative for marketing. Without volume, the association cannot expect to live - a decrease in volume means increased per unit costs for the association and reduced effectiveness as a marketing agency. Uncertainty as to quantity which may be delivered by producers for marketing in any year creates almost insurmountable obstacles, insofar as management is concerned.

Generally, a marketing cooperative's contract contains language somewhat as follows:

"...the producer sells and agrees to deliver to the association all of the (honey, or whatever product the association is engaged in marketing) produced by or for him or acquired by him as landlord or lessor..."

These contracts uniformly except from the above provision such quantity of the products the association is marketing as may be required by the producer for his own use. Also, honey cooperatives sometimes include a provision to the effect that the producer may retain sufficient honey to take care of local needs.



Main plant of the Sioux Honey Association, Sioux City, Iowa. Here and at the association's branch at Lima, Ohio, some 10 million pounds of honey are received from producers in 12 States and processed each year.

The functions performed by honey processing cooperatives are pretty much the same. These include (a) straining the honey to remove any sediment or material which may have gotten into it; (b) blending to insure a uniform color, flavor, and density; (c) heating to destroy yeasts and to prevent crystallization; (d) packaging; and (e) shipment to distribution agencies.

21. May nonmember producers sell through the cooperative?

Most cooperative marketing acts authorize farmers' cooperatives to handle nonmember business, with the limitation that the business done with nonmembers shall not exceed in value the amount of business transacted with members. There are many advantages to both the cooperative and the nonmember in having his product sold through the cooperative. For example, the cooperative is thus able to determine whether the producer would make a desirable member, and the producer is able to more satisfactorily appraise the services performed by the cooperative and compare its returns with prices paid by private handlers.

To determine whether a cooperative in a given State may handle nonmember business, consult the cooperative marketing act of that State.

22. What is pooling?

When used in connection with cooperative marketing, pooling refers to a method of marketing by which the products of members are mingled and sold by grade, instead of as each grower's separate

crop. In a pool, therefore, a producer's crop is not kept separate from the crops of the other members, but is mingled with them, and he receives his pro rata share of returns from all the crops. One advantage to the grower in pooling his product is that risks of marketing are distributed among all the crops in the pool. Thus, instead of being obliged to assume all the risk if his product should arrive at the market when prices are poor, he receives a fair average price.

23. Are members liable for the debts of their cooperative association?

The State cooperative marketing acts usually declare that no member

...shall be liable for the debts of the association to an amount exceeding the sum remaining unpaid on his membership fee or his subscription to the capital stock, including any unpaid balance on any promissory notes given in payment thereof.

However, the statutes of a few States differ from the general rule. Those organizing a cooperative should, therefore, examine applicable provisions of the law under which the association is being incorporated. As pointed out earlier, each member of an unincorporated association is liable for the debts of the association.

24. For what purposes do honey marketing cooperatives require funds?

This depends upon the services they perform. Obviously an association which engages in extensive processing operations requires more funds than one which carries on assembling activities only. To begin with, a cooperative must have funds necessary to take care of expenses incident to setting up the association. Funds for this purpose may be contributed by the producers which are actively engaged in forming the cooperative. Sometimes these contributions are made with the understanding that they will be repaid after the association has been organized and has funds of its own. After the association has been organized, it may require both fixed capital and operating capital. Fixed capital of a honey processing cooperative, for example, consists of the land, building, machinery, and equipment necessary for handling, storing, and processing its members' honey. Operating capital consists of the funds which the association must have to meet pay rolls, taxes, and other general expenses incident to carrying on its operations. The amount of capital which a honey cooperative would require would be determined by the nature of services it performs for its producers.

Providing adequate finances for a cooperative marketing association represents a major problem, and honey producers undertaking the organization of such a cooperative should give careful consideration to its financial requirements. They will not be unmindful of the risks involved in turning their honey over to a cooperative which

does not have the finances necessary to do the marketing job it was set up to do.

25. How may a honey marketing cooperative obtain needed funds?

Funds may be obtained by cooperatives in the following ways:

1. By the sale of stock, in the case of an association having capital stock, or by the sale of certificates of membership where the cooperative is nonstock and its financial requirements are nominal; nonstock associations may obtain additional funds through the sale of certificates of interest. These methods of providing capital are more necessary in the case of new associations whose operations have not extended over a sufficient period to provide adequate capital through a revolving fund plan.
2. By retaining a portion of the sale price of honey when making settlement with the producer. (This method of financing, usually referred to as the revolving fund method, is becoming increasingly popular among cooperatives. It is discussed in more detail in answer to question 27.)
3. By borrowing money from regular commercial lending agencies or from the banks for cooperatives.

It cannot be too strongly urged that producers should make adequate financial contribution to the capital requirements of their cooperative. This may require greater emphasis in the case of associations just being organized than for those which have operated for a time, because members of the latter usually are familiar with their cooperatives' financial needs. Where an association's financial requirements are greater, obviously the amount of the members' contribution is greater. For example, a honey cooperative which owns and operates processing facilities requires a larger financial contribution by its members than an association which performs only assembling functions. In any event, the amount each producer shall contribute should be determined on the basis of the volume of honey he expects to sell through the association.

26. From what sources may honey marketing cooperatives borrow?

They may borrow from commercial lending institutions or from the banks for cooperatives. The banks for cooperatives were created by Congress for the purpose of providing farmers' cooperatives with special types of credit at reasonable rates of interest.

Loans made by the banks for cooperatives fall into three major classes:

1. "Facility" loans, to assist cooperatives in purchasing, building, or leasing physical facilities, such as a warehouse or

a honey processing plant. Facility loans are secured by first mortgages upon the property being acquired and may run for as much as 10 years;

2. "Operating capital" loans are made to assist cooperatives by supplementing the association's own capital funds during peak seasonal activity. They are generally short-term loans;

3. "Commodity" loans are made to assist cooperative associations in making advances to their members pending sale of their products. These loans are made on the security of a first lien on farm products which the association is engaged in marketing, or on farm supplies acquired for its patrons. Commodity loans are generally of short duration, usually not more than 9 months.

That these banks have been successful in fulfilling a need for credit is indicated by the fact that from the date of their organization to the end of 1943 they had loaned farmers' cooperatives more than \$1,400,000,000.

27. How does the revolving fund plan of financing work in a honey cooperative?

Briefly, the plan provides that as honey is marketed the cooperative shall retain a small portion of the sales proceeds due each member, for the purpose of providing the capital necessary to carry on the association's operations. The amount retained is small, say one-fourth cent to three-fourths cent per pound of honey. Thus, each pound of honey marketed by the association contributes its pro rata share toward the association's capital.

At the end of the marketing season, the retains deducted from each producer's returns are totaled and he is issued a certificate showing the amount so retained. The producer's share in the ownership of his association is thus increased. New members start to contribute to the organization's capital structure during the first year. These certificates may be designated as Revolving Fund Certificates or other similar designation. Revolving Fund Certificates should not bear a fixed rate of interest or have a definite due date. These questions should be left to the determination of the board of directors in the light of the association's financial condition. When capital obtained in this way is deemed ample, the directors declare that all retains deducted in the earliest year shall be returned to the producer. Also, if the association's financial position permits, they may pay interest on such certificates. A sample Revolving Fund Certificate appears at the end of this circular.

Funds retained in this way should not be confused with amounts deducted by the association to cover operating expenses. These

latter deductions are not paid back to the producers except where amounts deducted are in excess of the association's requirements.

The revolving fund method may be used by either stock or nonstock cooperatives.



This is the packing plant of the Ohio Apiaries Co-operative Association, Delaware, Ohio. Since its organization in 1939, the association's volume has shown a good increase each year. To take care of this increase, the association is now engaged in constructing an extensive addition to its plant. Its members' bees range over more than 1-1/2 million acres of land devoted to the production of general farm crops, including hay, and fruits and vegetables.

28. Do cooperatives using the revolving fund plan need to borrow additional funds?

Frequently they do, especially in the early years. They may need additional funds to assist in acquiring buildings, machinery, and equipment and for other similar long-term purposes. Associations usually do not have enough accumulated capital to pay cash in full for these long-term needs. So, they borrow the balance and repay it over a period of years with funds contributed to the revolving fund each year by producers through retains.

29. What are stock and nonstock associations?

These terms refer to the capital structure of a cooperative, and not to functions. If a cooperative marketing association's capital structure is based upon shares of stock, it is referred to as a stock organization; whereas, a nonstock association is one that issues certificates of membership and, where more than nominal funds are required, certificates of interest. The cooperative marketing acts of the various States provide that either capital stock or nonstock cooperatives may be organized under them. The current trend is toward organization of nonstock cooperatives.

30. Is there a limit on the amount of stock a member may own in his cooperative?

Some State cooperative marketing acts declare that no stockholder of a cooperative organized thereunder may own more than one-twentieth of the common stock of the association. In such cases, of course, 20 producers constitute the minimum necessary to organize a cooperative. The bylaws of cooperatives may limit members' ownership of such stock to less than one-twentieth. Ownership of preferred or nonvoting stock is not limited by the cooperative marketing laws.

31. Does the amount of stock owned determine the number of votes a member has?

In a few States each share of stock is entitled to a vote, but generally the cooperative marketing laws declare that no member shall be entitled to more than one vote, regardless of the shares of stock owned by him. Some State cooperative marketing acts permit members to vote on the basis of volume of products sold through the association or on the basis of the productive units owned by them, such as number of colonies of bees.

32. Do cooperatives pay dividends on capital stock?

On common stock, which may be held only by members of the association, generally a dividend of not to exceed 8 percent may be paid. Preferred stock, which may be held by producers and the general public, may pay a reasonable dividend, provided savings effected by the association are ample for the purpose and the board of directors so decides.

33. Do cooperatives pay taxes?

Yes. The physical property of a cooperative - its land, buildings, and equipment - is liable for property taxes on the same basis as similar property of individuals. They pay the usual State, county, and city taxes.

However, Congress and the State legislatures have enacted laws under which farmers' cooperative marketing associations may be granted exemption from certain taxes. Thus, producers' cooperatives may apply for exemption from the payment of income tax if their organization set-up and the character of their operations come within the law. The cooperatives do not receive an exempt status automatically. It must be specifically applied for and an order granting exemption must be issued to the association. However, the association may still be taxed at any time when it has taxable income.

34. Do cooperatives fail?

Yes. Farmers' business organizations sometimes fail, just as do other business concerns, and largely for the same reasons. A cooperative association may discontinue operations because there is not sufficient need for it. Others cease to operate because the producers do not support them. Incompetent management, insufficient capital, and faulty organization have caused some associations to fade out of the picture. The record of cooperatives in this respect is generally more favorable than that of ordinary commercial concerns.

There have been some failures among honey marketing cooperatives. It may be that despite the increasing interest of beekeepers in cooperative marketing, their program of working together will be retarded somewhat in some areas because of those early failures. This need not be so. If groups interested in forming a cooperative will carefully weigh the factors involved in their particular undertaking, there is no need for it to fail. Among other things, they should determine if there is a real need for the cooperative; if the producers are genuinely interested in working together in marketing their honey; if sufficient volume is available to insure an efficient and economic operation; and if satisfactory management is available.

35. What are the usual duties of a manager of a marketing cooperative?

The board of directors of a cooperative, of course, have general supervision and control of the business and affairs of the association. The board employs a manager to carry on the ordinary business operations under its general direction, such as marketing and handling the products of the association's members. He should be experienced in marketing, preferably in marketing the product handled by the association. The manager is expected to conduct the business of the association in such manner that the members receive just and fair treatment. He is required to deposit all funds of the association coming into his possession in a bank selected by the board of directors. If authorized by the board, the manager may make disbursement from such funds for the ordinary costs and expenses of the association. The manager, subject to approval of the board, usually employs, supervises, and dismisses those employees of the association not employed by the board. Generally the manager is expected to maintain such records and accounts of the association as will show its true and correct condition at any time.

An important responsibility of the manager of a cooperative has to do with the development and maintenance of satisfactory membership relations. Sometimes a manager who has conducted the affairs of an association for a number of years is disposed to regard it as his own private business. In such a situation membership relations

36. What can a honey producer do to assure the success of his cooperative marketing association?

1. Deliver his honey to the association in accordance with his marketing agreement.
2. Attend meetings of association, keep abreast of developments, and aid in solving the problems faced by the management.
3. Constantly strive to produce a higher quality product; observe association's requirements for grading, packing, and shipping honey.
4. Visit the association's plant frequently and see how the honey is being handled. If it seems necessary, offer suggestions for improvement.
5. Support the association as long as he is a member.

SUGGESTED ORGANIZATION FORMS FOR HONEY MARKETING COOPERATIVES

On the following pages are suggested forms for use in organizing honey marketing cooperatives. These forms include articles of incorporation, bylaws, marketing agreement, membership certificate, and revolving fund certificate. Necessarily, the forms are general in character. It is intended, of course, that they be adapted to the needs of a specific association. They should be changed to meet the local conditions and the legal requirements of the State in which the association is to be incorporated.

ARTICLES OF INCORPORATION

of

Association

We, the undersigned, residents of the State of _____, engaged in the production of agricultural products, do hereby voluntarily associate ourselves together for the purpose of forming a cooperative association, without capital stock, under the provisions of the Cooperative Marketing Act of the State of _____

ARTICLE I

The name of the Association shall be the _____ Honey Marketing Cooperative Association.

ARTICLE II

This Association is formed for the following purposes:

To acquire and market the apiary products of its members and to engage in any activity in connection with the harvesting, receiving, assembling, grading, blending, handling, processing, packing, storing, financing, advertising, manufacturing, and selling any apiary products delivered by its members or patrons, or any products derived therefrom and in connection with the purchase of beekeeping supplies, machinery, and equipment.

ARTICLE III

This Association shall have the following powers:

- (a) To act as the agent or representative of any member in any of the activities mentioned in Article II hereof.
- (b) To purchase or otherwise acquire, own, hold, lease, mortgage, and sell such real and personal property as may be necessary or desirable for carrying on any of the Association's purposes.
- (c) To borrow money; to give a lien on any of its property as security therefor; and to make advance payments to members.
- (d) To draw, make, accept, endorse, execute, and issue promissory notes, bills of exchange, drafts, certificates, and all kinds of obligations for any purpose deemed necessary to further the objects for which this Association is formed and to give a lien on any of its property as security therefor.
- (e) To transact business with or for nonmembers in an amount not greater in value than the business which it transacts with its members.
- (f) To have all of the powers, privileges, and rights conferred on ordinary corporations and cooperative marketing associations by the laws of this State and all powers and rights incidental or conducive to carrying out the purposes for which the Association is formed.

ARTICLE IV

This Association shall have its principal place of business in the City of _____, County of _____, State of _____.

ARTICLE V

The term for which this Association shall exist is _____ years from and after the date of incorporation.

ARTICLE VI

The number of directors of this Association shall be _____. Of the first elected board of directors, _____ shall be elected for 1 year; _____ for 2 years; and _____ for 3 years; and thereafter all directors shall be elected for 3 years. The names and addresses of those who are to serve as incorporating directors until the first annual meeting of the members or until their successors are elected and qualified are:

Name

Address

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ARTICLE VII

Section 1. This Association shall not have capital stock. Applicants shall be admitted to membership upon such uniform conditions as may be prescribed by the Board of Directors of the Association, or in its bylaws.

Section 2. This Association shall be operated on a cooperative basis for the mutual benefit of its members as producers. Membership in the Association shall be restricted to producers who patronize the Association.

Section 3. The voting rights of members shall be equal and no member shall have more than one vote.

Section 4. The property rights and interests of each member in the Association shall be unequal; and shall be determined and fixed in the proportion that the patronage of

each member shall bear to the total patronage of all members with the Association. New members shall be admitted to membership and shall be entitled to share in the property of the Association in accordance with the foregoing general rule.

In testimony whereof, we have hereunto set our hands this _____ day of _____, 19____.

State of _____ SS
County of _____

Before me, a notary public, within and for said county and State on this _____ day of _____, 19____, personally appeared _____ known to me to be one of the identical persons who executed the within and foregoing instrument, and he acknowledged to me that he executed the same as his free and voluntary act and deed for the uses and purposes therein set forth.

Witness my hand and official seal the day and year above set forth.

_____, Notary Public.

In and for the County of _____, State of _____. My commission expires _____.

BYLAWS

OF _____ HONEY MARKETING ASSOCIATION

SECTION I PURPOSES AND POWERS

The purposes for which this Association is formed and the powers which it may exercise are set forth in the Articles of Incorporation of the Association.

SECTION II MEMBERS AND PATRONS

1. Any person, firm, partnership, corporation, or association, including both landlords and tenants, engaged in the production of honey may become a member of the Association by acquiring a membership, executing the marketing agreement, and meeting such conditions as may be prescribed by the Board of Directors.
2. A member may withdraw from the Association during the month of (December) in any year by informing the Secretary in writing on or before the last day of said month of his intention to do so.

If the Board of Directors shall find, following a hearing, that a member has ceased to be a honey producer or that such member has not marketed his honey through the Association for a period of _____ years, the Board may terminate his membership. Upon withdrawal or termination of membership, all rights and interests of such member in the Association shall be canceled and such member shall be entitled only to payment or credit for the appraised value of his property rights and interests in the Association, as conclusively determined by the Board of Directors.

3. The Association may handle honey for nonmembers, provided that the total value of the nonmember business in any fiscal year shall not exceed the total value of business transacted with members. Nonmember patrons shall be treated the same as members with respect to the distribution and allocation of income. The Association shall have the right to retain an amount of the patronage allocation of a nonmember patron equal to the membership fee.

**SECTION III
DIRECTORS AND OFFICERS**

1. The business of the Association shall be controlled by a board of directors of _____ members, each of whom shall be a member of this Association.
2. At the first annual meeting of the members of the Association directors shall be elected to succeed the incorporating directors. _____ directors shall be elected for 1 year, _____ directors for 2 years, and _____ directors for 3 years, and thereafter each director shall be elected for 3 years. Directors shall be elected by secret ballot. Directors shall hold office until their successors have been elected and qualified and have entered upon the discharge of their duties.
3. The Board of Directors shall meet within _____ days after election and shall elect by ballot a president, a vice president, and a secretary-treasurer, each of whom shall hold office until the election of his successor.
4. Whenever a vacancy occurs in the Board of Directors, other than from expiration of a term of office, the remaining directors shall appoint a member to fill the vacancy until the next regular meeting of the members.
5. Regular meetings of the Board of Directors shall be held monthly or at such other times and places as the Board may determine.
6. A special meeting of the Board of Directors shall be held whenever called by the President or a majority of the directors. Each call for a special meeting shall be in writing, signed by the person making the call, addressed to the Secretary, and shall state the time and place of such meeting and the matters to be acted upon.
7. Notice of regular or special meetings of directors shall be mailed to each director at least _____ days prior to each meeting.
8. Directors shall receive no compensation for their services.
9. A majority of the Board of Directors shall constitute a quorum at any meeting of the Board.

**SECTION IV
DUTIES OF DIRECTORS**

1. The Board of Directors shall have general supervision and control of the business and the affairs of the Association, and shall make all rules and regulations not inconsistent with law or with these bylaws for the management of the business and guidance of the members, officers, employees, and agents of the Association.
2. The Board of Directors shall employ a manager and such other employees as may be necessary, and fix their compensation. The manager shall have charge of the business of the Association under the direction of the Board.
3. The Board of Directors shall require the manager and all other officers and employees charged by the Association with responsibility for the custody of any funds to give adequate bonds.
4. At least once each year the Board of Directors shall have the books and accounts of the Association audited by a competent public auditor and a report thereon made in writing.

**SECTION V
DUTIES OF OFFICERS**

1. The President shall
 - (a) Preside over all meetings of the Association and the Board of Directors;
 - (b) Call special meetings of the Board of Directors;
 - (c) Perform all acts and duties usually performed by an executive and presiding officer; and
 - (d) Sign all membership and revolving fund certificates and such other papers of the Association as he may be authorized or directed to sign by the Board of Directors.

The President shall perform such other duties as may be prescribed by the Board of Directors.

2. In the absence or disability of the President, the Vice President shall perform the duties of president.

3. The Secretary-Treasurer shall

(a) Keep a complete record of all meetings of the Association and of the Board of Directors;

(b) Sign, with the President, all checks, notes, revolving fund certificates, and such other papers pertaining to the Association as he may be authorized or directed to by the Board of Directors;

(c) Serve all notices required by law and these bylaws;

(d) Receive and disburse all funds and be the custodian of all property of the Association;

(e) Keep a complete record of all business of the Association and make a report to the members of all matters and business pertaining to his office; and

(f) Perform such other duties as may be required of him by the Association or the Board of Directors.

SECTION VI DUTIES OF MANAGER

1. Under the direction of the Board of Directors the manager shall have general charge of the ordinary and usual business operations of the Association.

2. The manager shall deposit all money belonging to the Association which comes into his possession in the name of the Association in a bank selected by the Board of Directors, and if authorized to do so by the Board of Directors shall make all disbursements by check therefrom for the necessary expenses of the business in the manner and form prescribed by the Board of Directors.

3. The manager shall be required to maintain his records and accounts in such manner that the true and correct condition of the business may be ascertained therefrom at any time.

4. Subject to the approval of the Board of Directors, the manager shall employ, supervise, and dismiss all employees of the Association not specifically employed by the Board of Directors.

SECTION VII CAPITAL STRUCTURE

1. The fee for becoming a member of the Association shall be \$ _____.

2. The Association is authorized to issue and sell to members and others revolving fund certificates, of a character hereafter described, for the purpose of raising capital funds with which to carry on its business; and to provide a means whereby its current and active members may finance the Association; the Association is also authorized to issue revolving fund certificates evidencing deductions made for capital purposes pursuant to agreements with its members and patronage dividends which are in whole or in part so paid at the end of each fiscal year. Funds evidenced by such certificates shall be used for creating a revolving fund for the purpose of building up such an amount of capital as may be deemed necessary by the Board of Directors from time to time and for revolving such capital. Such funds, or funds derived from any other source, shall be devoted to refunding the oldest outstanding series of revolving fund certificates when the Board of Directors determines they are not necessary for the proper financing of the Association. Such certificates may contain such other terms and conditions not inconsistent herewith as may be prescribed by the Board of Directors.

Such certificates shall be issued in annual series, each certificate in each series upon its face being identified by the year in which it is issued; and each series shall be retired fully or on a prorata basis only at the discretion of the Board of Directors, in the order of issuance by years as funds are available for that purpose. Such revolving fund certificates shall bear such rates of interest and only such rates of interest (in no event to exceed 6 percent per annum) as the Board of Directors in its sole discretion may from time to time prescribe, without any obligation on the part of the Board of Directors and the Association

to pay interest on such certificates. A record of all holders of revolving fund certificates shall be maintained by the Association, and such certificates shall be transferable only on the books of the Association and no transfer of certificates shall be binding upon the Association unless so transferred.

Notwithstanding any of the foregoing provisions, the Board of Directors shall have the power, at any time, to pay off or retire any revolving fund certificate in compromising or settling a dispute between the holder thereof and the Association.

All other debts of the Association, both secured and unsecured, shall be entitled to priority over all outstanding revolving fund certificates. Upon the dissolution or winding up of the Association in any manner, after the payment of all other debts, all outstanding revolving fund certificates shall be retired in full or on a pro rata basis without priority before any liquidation dividends are declared on membership certificates or on account of property rights and interests.

SECTION VIII DETERMINATION AND DISTRIBUTION OF INCOME

1. The Board of Directors shall have a complete audit made of the books and accounts of the Association at the end of each fiscal year, and for that purpose shall employ a competent and disinterested accountant.
2. The total net income so determined shall be allocated and distributed in the following order and manner:
 - (a) An amount of the net income equal to not less than _____ percent thereof shall be set aside for the purpose of establishing, building up, and maintaining a general reserve of not less than _____ percent of the face value of all outstanding membership and revolving fund certificates.
 - (b) An amount sufficient to pay interest charges, if any, on revolving fund certificates at the rate prescribed by the Board of Directors shall be set aside.
 - (c) From the net amount allocated to each nonmember patron, eligible for membership in the Association and approved by the Board of Directors, there shall first be deducted a membership fee of \$ _____, or the unpaid balance due thereon; and when any such patron has complied with all the conditions for membership, a membership certificate paid for in this manner shall be issued to him.
 - (d) At least _____ percent of the amount, as determined by the Board of Directors, then remaining to the credit of each patron shall be retained by the Association for capital purposes and distributed to him in the form of revolving fund certificates.
 - (e) Any remaining balance of the patronage allocations of each patron may then be paid to him in cash.

3. The books of the Association shall be kept in such manner that the interest of each patron in the amount carried to the general reserve each year may be ascertained at any time. In the event of a net loss of the operation of the Association for any 1 year, such loss shall be charged against these annual reserves, in an equitable manner as determined by the Board of Directors. Whenever the total amount of the general reserve exceeds _____ percent of the face value of all outstanding membership and revolving fund certificates, the Board of Directors may apply such excess to paying off ratably by years the oldest unexhausted interests of the patrons therein.

SECTION IX ISSUANCE AND REDEMPTION OF REVOLVING FUND CERTIFICATES

1. At the end of each fiscal year the Board of Directors shall issue to each patron revolving fund certificates to evidence the amounts paid in by such patrons, on a per pound basis, for capital purposes, as provided in paragraph 4 of the marketing agreement, and on account of any patronage dividends payable in the form of revolving fund certificates in accordance with section 8 of these bylaws.
2. Whenever, in the opinion of the Board of Directors, the capital funds of the Association are in excess of that amount necessary for its sound financial operation, the Board of Directors shall call for redemption, and redeem or retire an amount of oldest outstanding revolving fund certificates in the same order as originally issued, equal to the amount of such excess, provided that no revolving

fund certificates shall be retired unless the amount of revolving fund certificates outstanding thereafter shall at least equal 40 percent of the original cost of the fixed facilities and permanent additions thereto.

SECTION X MEETINGS

1. The annual meeting of the members of this Association shall be held in the town of _____, State of _____, at _____ o'clock on the _____ day of _____ of each year, or on any date which the Board of Directors shall designate at least 30 days in advance of the date specified above for such annual meeting.
2. Special meetings of the members may be called at any time by order of the Board of Directors and shall be called at any time upon written request of at least _____ percent of the members, provided, however, that in no case shall the required number of signatures of members to such a request be less than _____. The request shall state the time, place, and object of the meeting.
3. Written or printed notice of every regular or special meeting of members shall be mailed to the last known post office address of each member not less than _____ days before such meeting. Such notice shall state the object or objects thereof and the time and place of meeting. No business shall be transacted at special meetings other than that referred to in the call.
4. _____ percent of the members shall constitute a quorum for the transaction of business at any meeting of the Association, and a vote of a majority of the members present at such meeting shall be sufficient to pass or reject any measure properly placed before the meeting. In the event a quorum is not present such meeting may be adjourned from time to time by those present until a quorum is obtained.
5. Each member of the Association shall have one vote only. Voting by proxy shall not be permitted.

SECTION XI DISTRIBUTION OF ASSETS ON LIQUIDATION

In the event of the dissolution or liquidation of the Association, any assets remaining after the payment of all debts, insofar as they are sufficient for that purpose, shall be distributed in the following order and manner:

- (1) All outstanding revolving fund certificates shall be retired in full.
- (2) All outstanding membership certificates shall be retired in full.
- (3) Unexhausted interests of members and patrons in general reserves shall be retired ratably on an equitable basis, as determined by the Board of Directors.
- (4) The remaining assets shall be distributed to the patrons of the Association on as equitable a patronage basis as the Board of Directors finds practicable.

SECTION XII FISCAL YEAR

The fiscal year of the Association shall begin on the first day of _____ and end on the last day of _____ of each year.

SECTION XIII SEAL

The seal of the Association shall be circular in form, upon which shall be inscribed the name of the Association and the year of its incorporation.

SECTION XIV AMENDMENTS

These bylaws may be altered or amended at any annual meeting of the stockholders, or at any other meeting of the stockholders called for that purpose by the Board of Directors, by a vote representing a majority of all the stockholders.

We, the undersigned, being all the incorporators of the _____ Association, do hereby assent to the foregoing bylaws and do adopt the same as the bylaws of said Association; and in witness whereof, we have hereunto subscribed our names this _____ day of _____, 19____.

MARKETING AGREEMENT

This agreement between the _____ Association, hereinafter called the "Association," and the undersigned, herein called the "Producer"

WITNESSETH:

1. The Association buys and the Producer sells and agrees to deliver to the Association at its plant or as directed by it, all honey produced by him or under his direction and control, excepting that honey sold by him for neighborhood retail trade or used by Producer for home consumption.

On or before (July 1) of each year, Producer agrees to notify Association of the number of colonies of bees from which he plans to market honey during such year.

2. Producer agrees to deliver the honey covered by this agreement as directed by the Association at the earliest practicable date after removal from the hives. Producer shall give the Association at least (5) days' notice before beginning delivery of any crop of honey, and all honey to be marketed through Association shall be delivered on or before the first day of (December) in the year produced.
3. The Producer agrees that the Association may, within the discretion of the Board of Directors, pool or commingle the honey of Producer with honey of the grade and quality delivered in the same year by other producers. The Association shall grade the honey and its grades shall be conclusive.
4. The Association agrees to receive, mix, grade, process, pack, store, sell, market, and otherwise handle the honey delivered by the Producer and other producers signing similar agreements with due care and diligence and in accordance with such methods, manner, and form as are calculated, in its discretion, to serve the best interests of the Producer.

Association agrees further that it will, within a reasonable time after the sale of such honey, or from time to time, remit to Producer from the proceeds of such sales the sums due and payable to him, less his proportionate share of all costs and expenses and deductions for capital purposes, provided that the amount set aside by the Association for capital shall not exceed (1 cent) per pound for each pound of honey delivered by Producer hereunder.

5. It is agreed between the parties hereto that title to the honey delivered under this agreement shall pass to the Association upon its receipt at the Association's warehouse or other place designated by the Association. It is agreed, further, that the Association may borrow money for any Association purposes and pledge all of such honey as security therefor without limitation.
6. It is agreed that the Articles of Incorporation and the Bylaws now or hereafter in effect, and this contract, constitute the entire agreement between the Association and the Producer.

In the event of failure of Producer to deliver honey to Association as provided herein, he agrees to pay the Association, as liquidated damages and not as a penalty for breach, _____ cents per pound on all honey delivered elsewhere.

7. After this agreement shall have been in effect (2) years, either party may terminate it by giving notice in writing to the other party during the month of December of any year, such cancellation to take effect at the close of the calendar year in which such notice is given. If neither party terminates this

agreement as herein provided, it is mutually agreed that this shall constitute conclusive evidence that the parties hereto have renewed this agreement for another year.

IN WITNESS WHEREOF, the parties hereto have executed this agreement at _____, this _____ day of _____, 19____.

By _____ Association. _____ Producer.
(Address)

MEMBERSHIP CERTIFICATE

ASSOCIATION

This is to certify that _____ is a member of _____ Association, a nonprofit cooperative marketing association, and as such is entitled to all of the rights and privileges, and is likewise bound by and subject to all of the obligations and conditions pertaining to such membership as set forth in the articles of incorporation, bylaws, and marketing agreement, now or hereafter in effect. The member named herein has paid a membership fee of \$_____.

This certificate, and the membership and rights represented by it are nontransferable.

In witness whereof, the said _____ Association has caused this certificate to be signed by its duly authorized officers, and its corporate seal to be hereto affixed this _____ day of _____, 19____.

By _____
President

(Seal)
Attest

Secretary

REVOLVING FUND CERTIFICATE

Series _____
No. _____ (Date) _____
Amount, \$ _____

This certifies that _____ of _____ is entitled to receive the amount of _____ dollars from the _____ Association on account of capital furnished and/or patronage dividends or deductions for revolving fund purposes as provided in the bylaws thereof, subject to the following conditions:

1. This and other revolving fund certificates of the same series are retrievable in the sole discretion of the board of directors, either fully or on a pro rata basis, but certificates issued in prior years shall be entitled to priority in retirement except in liquidation.
2. The amount stated in this certificate shall bear only such rate of interest, if any, as the board of directors may fix, from time to time, in no event to exceed six percent per annum.
3. This certificate is transferable only on the books of the association.
4. This and other certificates shall be junior and subordinate to all other debts of the association, both secured and unsecured. Upon the winding up or liquidation of the association in any manner, after full payment to all its other creditors, all revolving fund certificates shall then be retired in full or on a pro rata basis, without priority.

In witness whereof the _____ Association has caused this certificate to be signed by its duly authorized officers and to be sealed with its seal, this _____ day of _____, 19____.

U. S. DEPARTMENT OF AGRICULTURE
FARM CREDIT ADMINISTRATION
KANSAS CITY 8, MO.

OFFICIAL BUSINESS

FORM P18-5/45-682
PERMIT NO. 1001

PENALTY FOR PRIVATE USE TO AVOID
PAYMENT OF POSTAGE, \$300

MR. D. W. GRAF, LIBRARIAN,
~~BUR. OF AGR'L, CHEM. & ENGN.~~,
DEPT. OF AGRICULTURE,
103 WASHINGTON, D. C.

Sept 2 Day.